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August 28, 2003

SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

***Urgent!***

**GRH FUNDING STATUS**

***Urgent!***

Thanks for your tremendous support! Wisconsin's GRH usage will be in excess of \$100 million this fiscal year. As a result of the GRH program's phenomenal growth in our state and nationally, our Agency is implementing new Reservation of Funds procedures as we enter into the first "no years funding" cycle for the program. Attached is a letter from our Administrator, Arthur A. Garcia, which was sent out to nationally approved lenders earlier this month. The letter outlines the interim measures that will be taken by the Agency as we transition from one fiscal to the next. Our goal is to make this transition as seamless as possible for the lenders. In Wisconsin, the following procedures will be implemented effective immediately:

- Requests for new Reservation of Funds from lenders for purchase transactions cannot be confirmed at this time due to lack of funding. We are encouraging lenders to continue the processing and underwriting of these files. Rural Development will issue Conditional Commitments on eligible GRH loan applications that are subject to the availability of funds. The Conditional Commitment will contain the following condition:

"This Conditional Commitment is subject to the availability of Congressionally appropriated funds. No such funds are currently available. When funds become available, the Agency will notify the lender, and the guarantee process will continue subject to all applicable Agency regulations and conditions set forth in this Conditional Commitment. The lender may close the loan if it chooses prior to funding being available, but will assume all risk of loss prior to any issuance of a Loan Note Guarantee".

This means that you can close loan prior to funding becoming available; however the Loan Note Guarantee will not be issued until funding becomes available. Our best information indicates that Fiscal Year 2004 funding should be available sometime in October.

VISIT US ON THE USDA WebPage at [www.usda.gov](http://www.usda.gov)  
Rural Development (replaces the Farmers Home Administration) is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, D.C.

- Requests for new Reservation of Funds from lenders for refinance transactions will be confirmed by Rural Development as in the past. Currently there are funds available for GRH refinance transactions. Conditional Commitments and Loan Note Guarantees will be issued as soon as possible on refinance transactions.
- Lenders who submit closing packages on GRH purchase loans that have closed subject to the availability of funds must wait until funding has been restored before a Loan Note Guarantee can be issued. Lenders will be required to “re-certify” to the conditions found on the reverse side of the Conditional Commitment once funding has been obtained. The purpose of this recertification is twofold: 1. To determine that the GRH loan is not in default and 2. To determine that no major adverse changes have taken place which affect the borrower(s) or the property.
- Lenders are encouraged to consult with their secondary market investors as to their acceptance of GRH loans prior to the Loan Note Guarantee being issued by Rural Development. It is important for your investors to understand that the Loan Note Guarantee will be issued once funding has been restored.

CONDITIONAL COMMITMENTS WITHOUT APPRAISALS
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Effective now, through September 30, 2003, Rural Development will accept GRH underwriting packages that are subject to a satisfactory appraisal. Rural Development will issue Conditional Commitments which require lenders to provide a satisfactory appraisal prior to closing. Final acceptance of the appraisal by Rural Development is required before the lender closes the loan. When submitting underwriting packages without appraisals, lenders must consider the following:

1. Loan originators must obtain their underwriter's or investor's approval of the credit package prior to Rural Development issuing a Conditional Commitment.
2. Property suitability issues regarding flood plain status, thermal standards, HUD handbook requirements, well and septic inspections, safe water tests, or the financing of repair costs or loan closing costs must be addressed in the early stages of application processing to ensure that the loan amount is accurate

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at ext. 114 or Sue Kohnen at ext. 115.

/s/

PETER G. KOHNEN  
Rural Housing Program Director

PGK: pjb

Attachment:  
August, 14, 2003 Administrator's Letter